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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

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DD/S 58-222

FROM:

Executive Assistant to the DD/S
123 East Building

NO

DATE

27 January 1958

TO: (Officer designation, room number, and building)

DATE

REC'D

FWD'D

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

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EA DD/S:CEB:ecb (27 Jan 58)
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The attached has to do with the unresolved matter of reporting travel and reimbursable expenses on income tax returns. It was prepared by the Office of General Counsel with the suggestion that it not be published as a Notice, but that copies be given informally to key Administrative Officers so that they would be able to answer any questions that might be raised. We are also publishing it in the next issue of the Support Bulletin which should be out in a couple of weeks. As soon as a firm understanding is reached with the Internal Revenue Service on the application of this requirement, a Notice will be published. If you need any more copies, please let me know. It is not considered necessary to give this wide distribution at this time.

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This document is part of an integrated file. If separated from the file it must be subjected to individual systematic review.

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FORM

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INCOME TAX RETURNS

(Reporting of Travel and Reimbursable Expenses)

There has been a good deal of interest in the recent announcements by the Commissioner of Internal Revenue on reporting of travel and reimbursable expenses on your U. S. Individual Income Tax returns. The new (1957) tax forms now provide a special line on page 1 (item 6 (a)) for these expenses. After first indicating that compliance would be expected, the Commissioner later stated that the taxpayer would not be expected to report line 6(a) information for 1957. However, he made it clear that the information would be expected and the requirement enforced for 1958. You may want to know how this affects you personally.

Actually, there is no change in the Tax Code or the regulations. As an employee, you are expected to add to your gross income any payments you receive for travel or per diem. You should then itemize the actual expenses and enter the total on line 6(a) on page 1 of Form 1040. The difference between actual expense and the amount you have received will thus be reflected as either additional taxable income or deduction from gross income in reaching your adjusted gross income. Any deduction here would not affect your right to take a standard deduction in lieu of itemizing your personal deductions on page 2 of the return.

In the case of many Organization personnel, security considerations have probably prevented itemized accounting. Coupled to this has been the practical aspect that reimbursement seldom if ever resulted in added taxable compensation, and any excess available as a deduction has generally been negligible. So the result more often than not, we suspect, was an omission of this information. And seldom was this omission remarked by Internal Revenue. The picture has now changed.

While the crackdown is probably aimed mainly at the high-expense-account employee in private industry, there is no doubt that Government employees fall within the technical requirements. Just how it will affect employees of this Organization is not yet clear. So far, the people in the Internal Revenue Service continue to understand our difficulties in providing itemized travel and other operational expenses. At the same time, they are not yet sure how much force they will be expected to exert. Congressional reaction may influence the situation too.

For the moment, it would seem desirable for everyone who can do so without undue risk to security to keep a fairly specific tax diary. Then if, at the end of the year, the information is required and can be safely provided, it will be accurate. In the meantime, every effort will be made to reach a firm understanding with the Internal Revenue Service on the application of this requirement to the various classes of Organization personnel.

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